

INDIANA DEPARTMENT OF FINANCIAL INSTITUTIONS
CONSUMER CREDIT EDUCATION

CREDIT
RIGHTS

**Instructional Units
on Consumer Credit**

Indiana Department of Financial Institutions
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PREFACE

Many young people fail in the management of their first consumer credit experience, establish bad financial management habits, and stumble through their lives learning by trial and error. The Department of Financial Institutions objective is to encourage curriculum enrichment to insure that basic personal financial management skills are attained during the High School educational experience. Most high school students graduate with few of the personal financial skills they need to support themselves. There is serious concerns about young people's ability to make educated financial decisions once they're out on their own.

UNITS

Credit Rights was developed to assist educators in teaching the topics of consumer credit and consumer credit protection. It is designed for use with students in economics, consumer economics, business education, home economics, or law-related courses, as well as adult and community education programs on consumer credit.

The purpose of the unit is threefold:

1. To increase student awareness of the role played by individuals, creditors, credit bureaus, and debt collectors in the credit process.
2. To increase student understanding of the legal rights and responsibilities of consumers, creditors, and other representatives of the credit industry.
3. To help consumer develop skills in establishing and using consumer credit and solving credit-related problems.

CONTENT AND ORGANIZATION

Credit Rights contains seven separate units which can be used singly or in conjunction with the other units. The units are designed so instructors can teach one or more, depending on the time available and the needs of their students. Unit 1 provides an overview of consumer credit and explores the individual's use of credit. Although it provides a good foundation for studying the individual credit protection laws, all units are self-contained and do not depend on the use of specific activities from a previous unit to meet their instructional objectives. A pretest provided for each unit of ***Credit Rights*** may be used to assess student knowledge and help an instructor select appropriate units and topics to teach.

Each unit of ***Credit Rights*** contains individual topics focusing on specific concepts or skills. Several learning activities and a variety of teaching strategies are used to meet the topic's instructional objective. Instructors may select topics and activities within a unit that are most appropriate for use with their students and their individual teaching styles.

Units are developed sequentially. Earlier topics present basic information, concepts, and skills that provide students with the necessary background to study the topics and concepts

that follow. For example, in Unit 1, students first learn about the types of consumer credit and reasons why people use credit. Later they study the pros and cons of credit use and the factors to consider when deciding how to make a purchase. Similarly, in Units 2-6, students learn about creditworthiness, credit shopping, credit reporting and billing errors as a basis for studying the specific consumer credit protection laws.

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Each topic is designed to be taught during a class period of 40-45 minutes. If individual class periods are shorter, an instructor may wish to limit the number of activities used to teach a topic or use more than one class period. Additional class time also may be needed to develop, conduct, or follow up on the role playing and simulation activities. Five or six topics are covered in each unit. Therefore, a unit may be taught during a one- or two-week period, depending on the use of role play and simulation activities, the amount of class time available, the level and background of students, the number of topics and activities used, and the use of additional materials.

Prior to teaching a topic, an instructor should carefully review the learning objective for the topic, the list of materials needed, and topic directions printed in the instructions for each unit. In addition, transparencies, readings, student exercises, case studies, flow charts, etc. contain information that an instructor may wish to review before using these materials in class. Although topic directions and student materials are designed to provide the instructor with all the information needed to teach a topic, role play and simulation activities may require some additional preparation such as a test run.

All materials needed to teach ***Credit Rights*** are included in the instructional package. Instructors may find the *Introduction to Credit Rights* helpful in explaining to students the legislative and enforcement aspects of consumer credit protection. Besides topic directions, each Unit contains an introduction, key concepts and definitions of key terms used in the Unit, and an answer key. The individual sheets following each unit are Masters which an instructor may use to make overhead transparencies and classroom sets of student materials needed to teach each topic.

The instructor may place ***Credit Rights*** in a three-ring binder and remove individual Units or sheets for lesson preparation and classroom use. This will also facilitate the adding of future units and the updating of materials when consumer credit laws and regulations change. If you wish to have your name placed on a mailing list to receive updates to ***Credit Rights***, as well as additional units when they are available, please send your request to the Department of Financial Institutions, 402 West Washington Street, Room W066, Indianapolis, IN 46204 or call us at (317) 232-3955 or (800) 382-4880.

Units available in Word, as presentations in Power Point, and under "consumer credit" at our Web Site <http://www.dfi.state.in.us/conscredit/StudyUnits/STUDY%20UNITS.htm>

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Introduction

The era of consumer credit protection began with two very simple ideas X that the consumer should know more about the costs of credit and that all consumers should be treated fairly. These two ideas have led to hundreds of pages of laws, regulations, and interpretations.

Credit Rights: An Instructional Unit on Consumer Credit attempts to take this complex area of law and economics and provide information which all users of credit need to make informed credit decisions. Role play and simulation activities are used to stimulate interest in the topic of consumer credit protection and specific credit laws. Also, they provide students an opportunity to apply knowledge and skills they have learned about obtaining and using credit and solving credit-related problems. Read-ings, graphic illustrations, over-heads, flow charts, student exercises, and other approaches have also been used to vary the format.

Credit Rights deals only with consumer credit, not business or agricultural credit. Consumer credit is generally defined as credit used for personal, family, and household needs. This includes financing a car, furniture, or appliances and open-end financing such as a credit line in conjunction with a transaction account, a bank credit card, or a department store credit account. Although the use of credit to finance a real estate transaction is also considered consumer credit, these materials do not cover mortgage credit.

The passage of individual consumer credit protection legislation is only the first step in developing practical "rules" for consumers, creditors, and other repre-sentatives of the credit industry to follow. The overall regulation process involves five essential steps which are described below.

Legislation

The ideas for legislation comes from many sources X magazines, newspapers, letters from constituents, etc. For example, the Fair Credit Reporting Act began as a single letter from a constituent to Senator William Proxmire. Wherever the initial idea comes from, a senator or representative introduces legislation, and extensive hearings are held on the proposed bill. If a bill is passed by the Congressional subcommittees and committees, it is voted on by the House and Senate. If passed, it goes to the President for his signature or veto.

Regulation

A federal agency, most often the Federal Reserve System, is designated to issue a "Regulation" to provide specific rules to implement the provisions of the law. The agency proposes a regulation and consumers, creditors and others in the credit industry, and legislators have an opportunity to comment on whether the regulation is fair and meets the purposes for which it is intended. Often, the regulation will go through several drafts before it is final. Regulations are often amended after they are adopted.

Interpretation

Inevitably, the regulation does not answer every question. A creditor or a consumer will write the Federal Reserve System, for example, and ask how the regulation applies to a particular situation. The Board of Governors of the Federal Reserve System or their staff may then issue an interpretation. This interpretation will help resolve the situation in question, and it is often used to resolve future similar situations.

Enforcement

Examiners from the federal Reserve System and other agencies regularly examine banks, credit unions, savings and loan associations, etc., to see that they comply with the federal consumer credit protection laws

Examiners from the Indiana Department of Financial Institutions regularly examine state chartered banks, credit unions, savings and loan associations, finance companies, etc. for compliance with State consumer credit laws. These examinations often serve to educate creditors and to identify problem areas in the regulations. If repeated violations are found, the agencies may take enforcement action

against a particular creditor. Also, all agencies given authority to enforce these laws investigate consumer complaints.

Litigation

The courts inevitably decide how a particular law will be interpreted. For example, a consumer may sue a creditor for violation of the law. The court will decide whether or not the creditor is at fault. If a violation is found, the court will decide which remedies are appropriate. Or, a creditor may sue the enforcement agency, arguing that its actions go beyond its authority. Again, the courts will determine whether the enforcement agency has acted within its jurisdiction.

While it is helpful to break the regulation process down into these five areas, it is important to remember that this is often activity in all these areas simultaneously. For example, while Congress was amending Truth in Lending to simplify it, the Federal Reserve System was proposing its own changes in the regulation. Interpretation, enforcement, and litigation continued unaffected by the work in Congress. Therefore, consumer credit is a difficult area to teach, not only because of its complexity, but because it is ever-changing

The following chart lists consumer credit protection legislation in the order it was enacted. It is intended for your reference throughout the units.

ACT / CODE	EFFECTIVE DATE	PURPOSE
Federal Truth in Lending	1969	To give the consumer information on credit costs before entering into a credit transaction and to encourage credit shopping.
Federal Fair Credit Reporting Act	1970	To ensure the accuracy and privacy of information kept by credit bureaus and consumer reporting agencies. It gives consumers the right to know what information credit bureaus and consumer reporting agencies are distributing about them to creditors, insurance companies, and employers.
Indiana Uniform Consumer Credit Code	1971	To simplify, clarify and modernize the law governing retail installment sales, consumer credit, small loans, and usury.
Federal Equal Credit Opportunity Act	1975	To prohibit credit denial based on sex, marital status, age, race, religion, national origin, receipt of public assistance, or good faith exercise of consumer credit protection rights.
Federal Fair Credit Billing Act and The Electronic Fund Transfer Act	1975	To allow the consumer to effectively resolve billing disputes with credit card companies, other open-end creditors, and electronic fund transfer accounts.
The Consumer Leasing Act	1976	To requires lessors to give consumers information on lease costs and terms.
Federal Fair Debt Collection Practices Act	1978	To protect the consumer from abusive debt collection practices and allow the consumer to obtain verification of a debt.
Federal Truth in Lending Simplification Act	1982	To simplify Truth in Lending forms and procedures to make them more usable by the consumer.
Federal Credit Practices Rule	1985	To prohibit certain security interests and collection remedies in consumer credit contracts, confessions of judgment, wage assignments, waivers of exemption, and security interests in certain household goods.

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CONSUMER CREDIT INFORMATION

Web Sites:

The Indiana Department of Financial Institutions has a Web Site on the Internet which contains the Indiana statutes regulated by the Non-Depository division and information on numerous consumer credit topics. The Web Site is <http://www.dfi.state.in.us>. At the Department home page, click on Consumer Credit at the right of the screen.

The Federal Trade Commission has a Web Site which also gives information on many consumer credit topics. Their Web Site is <http://www.ftc.gov>. Click on Consumer Protection, Consumer Line, and then Consumer Credit.

INDIANA DEPARTMENT OF FINANCIAL INSTITUTION (DFI) PAMPHLETS

The DFI has the following pamphlets available:

- Advance Fee Loan Scams
- Answers to Credit Problems
- Applying for Credit
- At-Home Shopping Rights
- Car Financing Scams
- Choosing A Credit Card
- Co-Signing A Loan
- Credit & Charge Card Fraud
- Credit and Divorce
- Credit Insurance
- Credit Repair and Scams
- Debt Collection Problems?
- Fair Credit Billing
- Fair Credit Reporting
- How to Cut the Costs of Credit
- How to Dispute Credit Report Errors
- Indiana Uniform Consumer Credit Code
- Look Before You Lease
- Mortgage Loans
- Reverse Mortgages

- Second and Refinancing Mortgage Loans
- Simple Interest Vs Rule of 78's
- Shopping for Credit
- Using Credit Cards
- The Rule of 78s
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Federal Publications and Pamphlets

There are numerous publications and pamphlets regarding consumer credit distributed by the following federal agencies:

Board of Governors of the Federal Reserve System

Washington, D. C. 20551

Pamphlets Available:

- A Guide to Federal Reserve Regulations
- Complying with the Credit Practices Rule
- Consumer Handbook to Credit Protection Laws
- Fair Credit Billing
- Home Mortgages - Your Right to Fair Lending
- How to File a Consumer Credit Complaint If You Use a Credit Card
- Shop - The Card you Pick can Save you Money
- What Truth in Leasing Means to You
- What Truth in Lending Means to You

Federal Reserve Bank of Philadelphia

Public Information Department
P. O. Box 66
Philadelphia, PA 19105-0066
(215) 574-6115

Pamphlets Available:

- Electronic Fund Transfer
- Fair Debt Collection Practices Act

How the Equal Credit Opportunity Act
Affects You
How to Establish and Use Credit
Plastic Fraud - Getting a handle on Debt
and Credit Cards
Your Credit Rating

Federal Trade Commission

Bureau of Consumer Protection Office of
Consumer & Business Education
Washington, D. C. 20580
(202) 326-3650

Pamphlets Available:

Choosing and Using Credit Cards
Credit & Divorce
Credit Repair
Fair Debt Collection
How to Dispute Credit Report Errors
Solving Credit Problems
What=s Going on at the FTC?

Office of Consumer Affairs

Federal Deposit Insurance Corporation

550 17th Street, N. W.,
Washington, D. C. 20429
800-934-3342

Pamphlets Available:

Equal Credit Opportunity and Age
Equal Credit Opportunity and Women
Fair Credit Billing

Consumer Information Center - 5A

P. O. Box 100
Pueblo, CO 81002

Pamphlets Available:

At-Home Shopping Rights
Choosing & Using Credit Cards
Consumer Handbook to Credit Protection
Laws
Consumer's Resource Handbook
Credit & Divorce
Fair Debt Collection
How to Dispute Credit Report Errors
Lost or Stolen: Credit & ATM Cards
Solving Credit Problems

Jump\$tart Coalition for Personal
Financial Literacy

919 18th Street NW, Suite 300

Washington, DC 20006

Web Site: <http://www.jumpstart.org>

Video Tape

The Indiana Department of Financial
Institutions has a video tape called "The Credit
Trap." Copies are available upon request.

Addresses of Other Federal Reserve Banks

Publications are also available through other Federal Reserve Banks listed be-low.

Bank and Public Services Department
Federal Reserve Bank of Boston
Boston, MA 02016

Public Information Department
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Public Information Center
Federal Reserve Bank of Cleveland
P. O. Box 6387
Cleveland, Ohio 44101

Bank and Public Relations Department
Federal Reserve Bank of Richmond
Richmond, VA 23261

Information Center
Research Department, Publications Unit
Federal Reserve Bank of Atlanta
P. O. Box 1731, 104 Marietta Street N. W.
Atlanta, GA 30303

Public Information Department
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60690

Bank Relations and Public Information Department
Federal Reserve Bank of St. Louis
P. O. Box 442, 411 Locust Street
St. Louis, MO 63166

Office of Public Information
Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis, MN 55480

Public Information Department
Federal Reserve Bank of Kansas City
925 Grand Avenue
Kansas City, MO 64198

Department of Communications, Financial and
Community Affairs
Federal Reserve Bank of Dallas
400 South Akard Street
Dallas, TX 75222

Public Information Department
Federal Reserve Bank of San Francisco
P. O. Box 7702
San Francisco, CA 9412